

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ADAMS TOWNSHIP	County HOUGHTON
Fiscal Year End March 31, 2006	Opinion Date JUNE 15, 2006	Date Audit Report Submitted to State AUGUST 11, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☐ ☒ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC	Telephone Number 906-482-6601		
Street Address 310 SHELDEN AVENUE	City HOUGHTON	State MI	Zip 49931
Authorizing CPA Signature 	Printed Name BRUCE A. RUKKILA	License Number 263812	

**TOWNSHIP OF ADAMS**  
**HOUGHTON COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL FINANCIAL INFORMATION**

**March 31, 2006**

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the accompanying general purpose financial statements of the Township of Adams, as of and for the year ended March 31, 2006. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Adams, as of March 31, 2006, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006 on our consideration of the Township of Adams' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Township of Adams. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the financial statements of the omissions described previously, the dollar amount of which we have not determined, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

June 15, 2006



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the financial statements of the Township of Adams as of and for the year ended March 31, 2006, and have issued our report thereon dated June 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance:**

As part of obtaining reasonable assurance about whether the Township of Adams' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the Township of Adams' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

June 15, 2006

**TOWNSHIP OF ADAMS**  
**COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2006**

	Governmental Fund Types			Proprietary		Fiduciary		Account Groups			Totals	
	General		Special	Fund Type		Fund Type		General	Fixed Assets	Long-Term Obligations	(Memorandum Only)	
	Fund	Revenue	Debt Service	Enterprise	Agency	Agency	Agency	General	Fixed Assets	Long-Term Obligations	2006	2005
<b>ASSETS</b>												
Cash	\$ 389,205	\$ -	\$ -	\$ 617,523	\$ 808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,007,536	\$ 979,000
Receivables	11,664	5,052	3,000	113,019	-	-	-	-	-	-	132,735	132,862
Due from other funds	220,489	20,101	-	108,445	-	-	-	-	-	-	349,035	246,932
Prepaid expenses	7,005	-	-	17,262	-	-	-	-	-	-	24,267	22,175
Restricted cash	-	-	-	740,243	-	-	-	-	-	-	740,243	770,556
Fixed assets	-	-	-	11,586,625	-	-	-	810,354	-	-	12,396,979	12,315,668
Accumulated depreciation	-	-	-	(2,773,784)	-	-	-	-	-	-	(2,773,784)	(2,487,169)
Amount to be provided for retirement of debt	-	-	-	-	-	-	-	-	-	-	50,816	65,593
<b>TOTAL ASSETS</b>	<b>\$ 628,363</b>	<b>\$ 25,153</b>	<b>\$ 3,000</b>	<b>\$ 10,409,333</b>	<b>\$ 808</b>	<b>\$ 810,354</b>	<b>\$ 50,816</b>	<b>\$ 810,354</b>	<b>\$ 11,927,827</b>	<b>\$ 12,045,617</b>		
<b>LIABILITIES:</b>												
Accounts payable	\$ 9,826	\$ -	\$ -	\$ 21,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,913	\$ 35,168
Due to other funds	98,932	-	19,352	230,346	405	-	-	-	-	-	349,035	246,932
Accrued vacation/sick pay	-	-	-	-	-	-	-	5,816	-	-	5,816	5,593
Current maturities on bond payable	-	-	-	36,000	-	-	-	-	-	-	36,000	36,000
Bonds payable	-	-	-	2,639,000	-	-	-	45,000	-	-	2,684,000	2,737,000
Due to other governmental units	-	-	-	-	403	-	-	-	-	-	403	34,356
Accrued expenses	4,363	-	-	24,919	-	-	-	-	-	-	29,282	35,504
Deferred revenue	11,503	5,052	3,000	58,004	-	-	-	-	-	-	77,559	77,023
<b>TOTAL LIABILITIES</b>	<b>124,624</b>	<b>5,052</b>	<b>22,352</b>	<b>3,009,356</b>	<b>808</b>	<b>-</b>	<b>-</b>	<b>50,816</b>	<b>3,213,008</b>	<b>3,207,576</b>		
<b>FUND EQUITY AND OTHER CREDITS:</b>												
Contributed capital	-	-	-	5,405,415	-	-	-	-	-	-	5,405,415	5,595,514
Retained earnings-Reserved	-	-	-	634,013	-	-	-	-	-	-	634,013	608,969
Retained earnings-Unreserved	-	-	-	1,360,549	-	-	-	-	-	-	1,360,549	1,359,300
Investment in general fixed assets	-	-	-	-	-	-	-	810,354	-	-	810,354	735,354
Fund Balance-Reserved	-	-	(19,352)	-	-	-	-	-	-	-	(19,352)	(8,718)
Fund Balance-Unreserved	503,739	20,101	-	-	-	-	-	-	-	-	523,840	547,622
<b>TOTAL FUND EQUITY</b>	<b>503,739</b>	<b>20,101</b>	<b>(19,352)</b>	<b>7,399,977</b>	<b>-</b>	<b>810,354</b>	<b>-</b>	<b>810,354</b>	<b>-</b>	<b>-</b>	<b>8,714,819</b>	<b>8,838,041</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 628,363</b>	<b>\$ 25,153</b>	<b>\$ 3,000</b>	<b>\$ 10,409,333</b>	<b>\$ 808</b>	<b>\$ 810,354</b>	<b>\$ 50,816</b>	<b>\$ 810,354</b>	<b>\$ 11,927,827</b>	<b>\$ 12,045,617</b>		

The accompanying notes to financial statements are an integral part of this statement.



**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENT FUND TYPES**  
**Year Ended March 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>	
	<u>Fund</u>	<u>Revenue</u>		<u>2006</u>	<u>2005</u>
REVENUES:					
Taxes	\$ 51,714	\$ 22,780	\$ 8,000	\$ 82,494	\$ 77,053
State	134,740	-	-	134,740	135,809
Charges for services	25,902	-	-	25,902	24,573
Interest	2,966	-	20	2,986	2,634
Contributions	861	-	-	861	-
Other	24,333	2,095	-	26,428	20,817
TOTAL REVENUES	<u>240,516</u>	<u>24,875</u>	<u>8,020</u>	<u>273,411</u>	<u>260,886</u>
EXPENDITURES:					
Assessor	9,000	-	-	9,000	7,516
Supervisor	5,696	-	-	5,696	5,580
Clerk	6,304	-	-	6,304	9,422
Treasurer/Accounting	21,355	-	-	21,355	24,020
General services	11,586	-	-	11,586	5,874
Township board	9,943	-	-	9,943	6,644
Cemetery	13,158	-	-	13,158	18,659
Public works	34,734	-	-	34,734	32,163
Other activities	28,024	-	-	28,024	25,424
Recreation	5,151	-	-	5,151	3,732
Library	6,010	-	-	6,010	4,598
Constable	840	-	-	840	770
Elections	2,144	-	-	2,144	3,246
Maintenance buildings	35,398	-	-	35,398	32,969
Fire protection	75,000	24,830	-	99,830	29,188
Principal and interest payments	-	-	18,654	18,654	1,422
TOTAL EXPENDITURES	<u>264,343</u>	<u>24,830</u>	<u>18,654</u>	<u>307,827</u>	<u>211,227</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(23,827)</u>	<u>45</u>	<u>(10,634)</u>	<u>(34,416)</u>	<u>49,659</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>527,566</u>	<u>20,056</u>	<u>(8,718)</u>	<u>538,904</u>	<u>489,245</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 503,739</u>	<u>\$ 20,101</u>	<u>\$ (19,352)</u>	<u>\$ 504,488</u>	<u>\$ 538,904</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ALL GOVERNMENT FUND TYPES**  
**Year Ended March 31, 2006**

	<u>General</u>			<u>Special Revenue</u>		
			Variance -			Variance -
			Favorable			Favorable
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUES:						
Taxes	\$ 83,940	\$ 51,714	\$ (32,226)	\$ -	\$ 22,780	\$ 22,780
State	134,000	134,740	740	-	-	-
Charges for services	23,000	25,902	2,902	-	-	-
Interest	3,000	2,966	(34)	-	-	-
Contributions	800	861	61	-	-	-
Other	15,800	24,333	8,533	-	2,095	2,095
TOTAL REVENUES	<u>260,540</u>	<u>240,516</u>	<u>(20,024)</u>	<u>-</u>	<u>24,875</u>	<u>24,875</u>
EXPENDITURES:						
Assessor	9,000	9,000	-	-	-	-
Supervisor	6,060	5,696	364	-	-	-
Clerk	7,570	6,304	1,266	-	-	-
Treasurer/Accounting	23,150	21,355	1,795	-	-	-
General services	25,000	11,586	13,414	-	-	-
Township board	12,380	9,943	2,437	-	-	-
Cemetery	16,550	13,158	3,392	-	-	-
Public works	37,300	34,734	2,566	-	-	-
Other activities	28,275	28,024	251	-	-	-
Recreation	7,600	5,151	2,449	-	-	-
Library	11,750	6,010	5,740	-	-	-
Constable	840	840	-	-	-	-
Elections	3,700	2,144	1,556	-	-	-
Maintenance buildings	43,150	35,398	7,752	-	-	-
Fire protection	-	75,000	(75,000)	35,350	24,830	10,520
Principal and interest payments	12,475	-	12,475	-	-	-
TOTAL EXPENDITURES	<u>244,800</u>	<u>264,343</u>	<u>(19,543)</u>	<u>35,350</u>	<u>24,830</u>	<u>10,520</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>15,740</u>	<u>(23,827)</u>	<u>\$ 39,567</u>	<u>(35,350)</u>	<u>45</u>	<u>\$ 35,395</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		<u>527,566</u>			<u>20,056</u>	
FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ 503,739</u>			<u>\$ 20,101</u>	

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2006**

	Proprietary Fund Type (Enterprise)	Totals (Memorandum Only)	
		2006	2005
OPERATING REVENUES:			
Charges for services	\$ 478,772	\$ 478,772	\$ 471,478
Special assessment	104,304	104,304	132,288
Other	2,969	2,969	1,497
TOTAL OPERATING REVENUES	<u>586,045</u>	<u>586,045</u>	<u>605,263</u>
EXPENSES:			
Salaries	93,842	93,842	82,773
Payroll taxes	5,973	5,973	7,908
Employee benefits	43,629	43,629	33,800
Supplies	43,063	43,063	43,622
Office supplies	3,889	3,889	4,418
Utilities	98,470	98,470	87,770
Printing and publishing	-	-	60
Insurance	23,051	23,051	25,981
Travel expenses	40	40	402
Repairs & maintenance	12,399	12,399	3,474
Professional services	-	-	4,000
Depreciation	287,824	287,824	289,178
Refunds	109	109	806
Miscellaneous	1,840	1,840	2,955
Capital outlay	947	947	-
Engineering services	10,773	10,773	41,366
Contract labor	6,385	6,385	8,749
TOTAL EXPENSES	<u>632,234</u>	<u>632,234</u>	<u>637,262</u>
OPERATING INCOME (LOSS)	<u>(46,189)</u>	<u>(46,189)</u>	<u>(31,999)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	18,036	18,036	16,418
Interest expense	(135,653)	(135,653)	(137,475)
Gain/Loss on sale of equipment	-	-	(1,199)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(117,617)</u>	<u>(117,617)</u>	<u>(122,256)</u>
NET INCOME (LOSS)	(163,806)	(163,806)	(154,255)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	1,968,270	1,968,270	1,932,427
ADJUSTMENTS TO FUND EQUITY:			
Depreciation on Contributed Capital	190,098	190,098	190,098
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 1,994,562</u>	<u>\$ 1,994,562</u>	<u>\$ 1,968,270</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2006**

	Totals (Memorandum Only)	
	2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (46,189)	\$ (31,999)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	287,824	289,178
(Increase) Decrease in accounts receivable	(2,295)	12,785
(Increase) Decrease in inventory	0	5,946
(Increase) Decrease in prepaid expenses	(2,484)	(1,286)
(Increase) Decrease in due from other funds	(75,000)	(11,349)
Increase (Decrease) in accounts payable	(695)	(11,708)
Increase (Decrease) in due to other funds	17,456	2,256
Increase (Decrease) in accrued expenses	(3,341)	238
Increase (Decrease) in deferred revenue	2,955	(22,909)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>178,231</u>	<u>231,152</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Reductions of long-term debt	(38,000)	(36,000)
Interest paid on long-term debt	(135,653)	(137,475)
Purchase of fixed assets	(7,520)	(26,677)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(181,173)</u>	<u>(200,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments and deposits	<u>18,036</u>	<u>16,418</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	15,094	47,418
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,342,672</u>	<u>1,295,254</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,357,766</u>	<u>\$ 1,342,672</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members. In accordance with NCGA Statements 3 and 7, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Adams conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**THE FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the Township of Adams contain all of the Township's funds. There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

**GOVERNMENTAL FUND TYPES**

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Fire Protection Fund is the Township's only Special Revenue Fund.

**PROPRIETARY FUND TYPES**

Enterprise Funds - Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FIDUCIARY FUND TYPE**

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**FIXED ASSETS AND LONG-TERM LIABILITIES**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Utility Plant	10-20 years
Water & Sewer Systems	10-20 years
Buildings	10-20 years
Machinery and Equipment	5-10 years

**BASIS OF ACCOUNTING**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

**BUDGETARY DATA**

The Township follows these procedures in establishing the budgetary data:

- a. Each January, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following March 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

**PROPERTY TAXES**

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied to the extent that they are measurable and available.

The Township collects its own property taxes, and also collects property taxes for the County and School District within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2005 taxable valuation of the Township of Adams amounted to \$30,120,575 on which ad valorem taxes of \$38,965 were levied for Township operating purposes, \$8,352 for Township lights, and \$23,180 for Township hydrants. These amounts are recorded as revenue on the Township's records in and for the fiscal year ending March 31, 2006.

**TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS**

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

**CASH AND INVESTMENTS**

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits and savings accounts.



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVENTORY**

The Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ENCUMBRANCES**

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**NOTE B - CASH AND INVESTMENTS**

**CASH DEPOSITS**

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Enterprise Funds	Total Primary Government
Cash and investments	<u>\$ 389,205</u>	<u>\$ 808</u>	<u>\$ 1,357,766</u>	<u>\$ 1,747,779</u>

At March 31, 2006, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$1,747,780 with a corresponding bank balance of \$1,770,295. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,395,466 representing approximately 79% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,395,466 was insured and \$374,829 was neither insured nor collateralized.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE C - INTER-FUND RECEIVABLES AND PAYABLES**

The amounts of inter-fund receivables and payables at March 31, 2006 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 220,489	Trimountain Sewer	\$ 152,431
		Painesdale Sewer	31,618
		Atlantic Mine Sewer	8,465
		Retail Water	8,218
		Debt Service	19,352
		Tax Collection Funds	405
Sub-total	<u>220,489</u>	Sub-total	<u>220,489</u>
Retail Water	11,350	Atlantic Sewer	10,285
		General Fund	1,065
Sub-total	<u>11,350</u>	Sub-total	<u>11,350</u>
Fire Protection	<u>20,101</u>	General	<u>20,101</u>
Wholesale Water	97,095	Retail Water	19,329
		Fire Protection	77,766
Sub-total	<u>97,095</u>	Sub-total	<u>97,095</u>
TOTALS	<u>\$ 349,035</u>	TOTALS	<u>\$ 349,035</u>

**NOTE D - PROPERTY, PLANT, AND EQUIPMENT**

A summary of the changes in the general fixed assets account groups is as follows:

	Balance 3/31/05	Additions	Deletions	Balance 3/31/06
Land	\$ 8,810	\$ 0	\$ 0	\$ 8,810
Land Improvements	126,227	0	0	126,227
Buildings	232,932	0	0	232,932
Building Improvements	182,378	0	0	182,378
Equipment	<u>185,007</u>	<u>75,000</u>	<u>0</u>	<u>260,007</u>
TOTALS	<u>\$ 735,354</u>	<u>\$ 75,000</u>	<u>\$ 0</u>	<u>\$ 810,354</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE E - WATER AND SEWER FUND FIXED ASSETS**

Changes in the Water and Sewer Funds Fixed Assets in 2006 are as follows:

	Balance 3/31/05	Additions	Deletions	Balance 3/31/06
Atlantic Sewer Fund	\$ 3,689,721	\$ 0	\$ 0	\$ 3,689,721
Wholesale Water Fund	2,285,640	7,519	445	2,292,714
Retail Water Fund	1,726,117	0	763	1,725,354
Painesdale Sewer Fund	3,878,836	0	0	3,878,836
<b>TOTALS</b>	<b>\$ 11,580,314</b>	<b>\$ 7,519</b>	<b>\$ 1,208</b>	<b>\$ 11,586,625</b>

**NOTE F - LONG-TERM DEBT**

Sewage Disposal Bond

Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 1997. The payment schedule for the bond is as follows:

**SEWAGE DISPOSAL SYSTEM FUND**  
**SCHEDULE OF SEWAGE DISPOSAL SYSTEM REVENUE BONDS**

March 31, 2006				
Fiscal Year	April 1 Interest	October 1 Interest	October 1 Principal	Total
2006-07	\$ 14,000	\$ 14,078	\$ 8,000	\$ 36,078
2007-08	13,819	13,895	10,000	37,714
2008-09	13,667	13,667	11,000	38,334
2009-10	13,342	13,416	11,000	37,758
2010-11	13,092	13,165	12,000	38,257
2011-12	12,820	12,891	12,000	37,711
2012-13	12,618	12,618	13,000	38,236
2013-18	58,060	58,320	75,000	191,380
2018-23	48,725	48,942	95,000	192,667
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-38	4,765	4,791	104,000	113,556
<b>TOTAL</b>	<b>\$ 263,951</b>	<b>\$ 265,060</b>	<b>\$ 617,000</b>	<b>\$ 1,146,011</b>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE F - LONG-TERM DEBT (Continued)**

Water Supply System Bonds

Water Supply System revenue bonds were issued in 1992 in the amount of \$1,553,000 for the purpose of acquiring and constructing the Township's Water Supply System. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Water Supply System. The bond bears an interest rate not to exceed 5.75% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after June 1, 1993. The payment schedule for the bond is as follows:

WATER SUPPLY SYSTEM FUND  
SCHEDULE OF WATER SUPPLY  
SYSTEM REVENUE BONDS  
March 31, 2006

<u>Fiscal Year</u>	<u>June 1 Interest</u>	<u>December 1 Interest</u>	<u>June 1 Principal</u>	<u>Total</u>
2006-07	\$ 34,232	\$ 33,750	\$ 23,000	\$ 90,982
2007-08	33,563	33,019	25,000	91,582
2008-09	33,019	32,258	26,000	91,277
2009-10	32,080	31,439	28,000	91,519
2010-11	31,265	30,591	29,000	90,856
2011-12	30,422	29,685	31,000	91,107
2012-13	29,685	28,720	33,000	91,405
2013-18	132,181	127,074	195,000	454,255
2018-23	100,480	93,441	256,000	449,921
2023-28	58,739	49,075	339,000	446,814
2028-33	9,686	4,095	192,000	205,781
<b>TOTAL</b>	<b>\$ 525,352</b>	<b>\$ 493,147</b>	<b>\$ 1,177,000</b>	<b>\$ 2,195,499</b>

Sewage Disposal System (Painesdale) Bond

Sewage Disposal System (Painesdale) revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE F - LONG-TERM DEBT (Continued)**

**SEWAGE DISPOSAL SYSTEM (PAINESDALE)**  
**SCHEDULE OF SEWAGE DISPOSAL**  
**SYSTEM REVENUE BONDS**  
**March 31, 2006**

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>October 1 Principal</u>	<u>Total</u>
2006-07	\$ 20,009	\$ 20,009	\$ 10,000	\$ 50,018
2007-08	19,782	19,782	11,000	50,564
2008-09	19,532	19,532	11,000	50,064
2009-10	19,282	19,282	12,000	50,564
2010-11	19,010	19,010	12,000	50,020
2011-12	18,737	18,737	13,000	50,474
2012-13	18,442	18,442	13,000	49,884
2013-18	87,396	87,396	77,000	251,792
2018-23	77,902	77,902	95,000	250,804
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	174,000	193,806
<b>TOTAL</b>	<b>\$ 459,847</b>	<b>\$ 459,847</b>	<b>\$ 881,000</b>	<b>\$ 1,800,694</b>

**2001 Special Assessment Bonds**

Special assessment bonds were issued in 2001 in the amount of \$80,000 for the purpose of defraying part of the cost of road improvements to Spring Brook Lane Road in the Township. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate of 4.5% per annum.

Bonds maturing in the years 2007 and thereafter, are subject to redemption prior to maturity, in any order of maturity and by lot within any maturity, at the option of the Township on any interest payment date after April 1, 2006, at par and accrued interest to the date fixed for redemption. The payment schedule for the bonds is as follows:

**LONG-TERM DEBT - SPRING BROOK LANE**  
**SCHEDULE OF SPECIAL ASSESSMENT BONDS**  
**March 31, 2006**

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>April 1 Principal</u>	<u>Total</u>
2006-07	\$ 0	\$ 1,013	\$ 0	\$ 1,013
2007-08	1,013	788	10,000	11,801
2008-09	788	563	10,000	11,351
2009-10	563	450	5,000	6,013
2010-11	450	225	10,000	10,675
2011-12	225	-	10,000	10,225
<b>TOTALS</b>	<b>\$ 3,039</b>	<b>\$ 3,039</b>	<b>\$ 45,000</b>	<b>\$ 51,078</b>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE F - LONG-TERM DEBT (Continued)**

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

March 31, 2006

Fiscal Year	Interest	Principal	Total
2006-07	\$ 137,091	\$ 41,000	\$ 178,091
2007-08	135,661	56,000	191,661
2008-09	133,026	58,000	191,026
2009-10	129,854	56,000	185,854
2010-11	126,808	63,000	189,808
2011-12	123,517	66,000	189,517
2012-13	120,525	59,000	179,525
2013-18	550,427	347,000	897,427
2018-23	447,392	446,000	893,392
2023-28	313,718	578,000	891,718
2028-33	160,447	487,000	647,447
2033-38	75,010	289,000	364,010
2038-42	19,806	174,000	193,806
<b>TOTALS</b>	<b>\$ 2,473,282</b>	<b>\$ 2,720,000</b>	<b>\$ 5,193,282</b>

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2006:

	Balance 3/31/05	Additions	Reductions	Balance 3/31/06
Enterprise				
Sewage Disposal	\$ 623,000	\$ 0	\$ 6,000	\$ 617,000
Water Supply	1,199,000	0	22,000	1,177,000
Painesdale Sewage	891,000	0	10,000	881,000
Total Enterprise	2,713,000	0	38,000	2,675,000
General Long-Term Debt Account Group	60,000	0	15,000	45,000
Total	\$ 2,773,000	\$ 0	\$ 53,000	\$ 2,720,000

**NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS**

The 1992 Water Supply System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2006, there was \$10,154 in the Bond Reserve account which is in compliance with bond requirements.

The 1995 Sewage System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2006, there was \$87,460 in the Bond Reserve account which is in compliance with bond requirements.

The 2001 Sewage Disposal System (Painesdale) Revenue Bond requires that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2006, there was \$20,496 in the Bond Reserve account which is in compliance with bond requirements.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE H - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of March 31, 2006:

Fund	Property Taxes	Special Assessments	Total
General Fund	\$ 11,503		\$ 11,503
Fire Protection Fund	-	5,052	5,052
Baltic Sewer Fund	24,431		24,431
Trimountain Sewer Fund	32,191		32,191
Retail Water Fund	1,382	-	1,382
Debt Service	-	3,000	3,000
<b>TOTAL</b>	<b>\$ 69,507</b>	<b>\$ 8,052</b>	<b>\$ 77,559</b>

**NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2006 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating Revenues	\$6,247	\$88,309	\$9,748
Depreciation	\$0	\$95,252	\$0
Operating Income (Loss)	\$6,247	\$(23,649)	\$(1,025)
Non-operating Revenue (Expense)	\$255	\$(38,957)	\$298
Net Income (Loss)	\$6,502	\$(62,606)	\$(727)
Property, Plant & Equipment Additions	\$0	\$0	\$0
Net Working Capital (Deficit)	\$80,979	\$190,379	\$(48,730)
Total Assets	\$105,410	\$3,879,345	\$137,777
Total Equity	\$80,979	\$2,966,716	\$(48,730)

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating Revenues	\$72,902	\$276,660	\$132,179
Depreciation	\$104,768	\$52,869	\$34,935
Operating Income (Loss)	\$(46,443)	\$46,792	\$(28,111)
Non-operating Revenue (Expense)	\$(25,048)	\$(56,418)	\$2,253
Net Income (Loss)	\$(71,491)	\$(9,626)	\$(25,858)
Property, Plant & Equipment Additions	\$0	\$7,519	\$0
Net Working Capital (Deficit)	\$4,771	\$187,883	\$70,611
Total Assets	\$3,006,443	\$2,069,894	\$1,210,464
Total Equity	\$2,370,275	\$863,194	\$1,167,543

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

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**NOTE J - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME**

Township employees accumulate sick leave days monthly at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2006 was \$5,816.

**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE L - DEFINED CONTRIBUTION PLAN**

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amounts contributed voluntarily by the employee, under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions in the amount of \$3,150 for the fiscal year ending March 31, 2006.

**NOTE M - BUDGET OVER EXPENDITURES**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the general fund fire protection activity that exceeded the budget by \$75,000.

**NOTE N - DEFICIT FUND BALANCES**

The Township had a retained earnings deficit in the Debt Service Fund in the amount of \$19,352 and in the Trimountain Sewer Fund in the amount of \$48,730.

**NOTE O - RECLASSIFICATION**

Certain items in the March 2005 financial statements have been reclassified to conform with the current year presentation.



## **SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**BALANCE SHEETS**  
**March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash	\$ 389,205	\$ 371,092
Accounts receivable	163	163
Taxes receivable	11,501	14,322
Due from other funds	220,489	193,431
Prepaid expenses	<u>7,005</u>	<u>7,398</u>
TOTAL ASSETS	<u>\$ 628,363</u>	<u>\$ 586,406</u>
LIABILITIES:		
Accounts payable	\$ 9,826	\$ 13,385
Due to other funds	98,932	23,888
Accrued expenses	4,363	7,245
Deferred revenue	<u>11,503</u>	<u>14,322</u>
TOTAL LIABILITIES	<u>124,624</u>	<u>58,840</u>
FUND EQUITY	<u>503,739</u>	<u>527,566</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 628,363</u>	<u>\$ 586,406</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>REVENUES:</b>		
Current property taxes	\$ 41,856	\$ 37,252
Special assessment - street lights	8,280	8,205
Commerical forest revenue	1,374	1,516
Yield tax	204	-
State shared revenues	133,776	134,846
Other state	964	963
Administration and collection fees	17,262	13,923
Cemetery fees	8,640	10,650
Interest	2,966	2,612
Library	3,600	3,600
Franchise fees	5,846	6,035
Reimbursements	6,001	2,343
Contributions	861	-
Miscellaneous	3,695	6,289
Rentals	2,700	2,550
Sale of assets	<u>2,491</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>240,516</u>	<u>230,784</u>
<b>EXPENDITURES:</b>		
<b>ASSESSOR:</b>		
Tax supplies	1,800	916
Contract labor	<u>7,200</u>	<u>6,600</u>
<b>Total assessor</b>	<u>9,000</u>	<u>7,516</u>
<b>SUPERVISOR:</b>		
Salaries	5,560	5,560
Supplies	<u>136</u>	<u>20</u>
<b>Total supervisor</b>	<u>5,696</u>	<u>5,580</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CLERK:		
Salaries	5,870	6,226
Office supplies	188	2,593
Printing and publishing	-	91
Travel expenses	<u>246</u>	<u>512</u>
Total clerk	<u>6,304</u>	<u>9,422</u>
TREASURER/ACCOUNTING:		
Salaries	16,928	18,174
Supplies	1,993	1,032
Printing and publishing	2,395	4,456
Travel expenses	<u>39</u>	<u>358</u>
Total treasurer/accounting	<u>21,355</u>	<u>24,020</u>
GENERAL SERVICES:		
Professional services	<u>11,586</u>	<u>5,874</u>
TOWNSHIP BOARD:		
Salaries	1,610	1,680
Supplies	4,230	1,929
Printing and publishing	747	1,429
Professional services	1,824	149
Contract labor	105	1,048
Community promotion	488	238
Miscellaneous	<u>939</u>	<u>171</u>
Total township board	<u>9,943</u>	<u>6,644</u>
CEMETERY:		
Salaries	10,572	12,745
Supplies	2,133	2,844
Utilities	128	132
Contract labor	325	1,125
Capital outlay	-	1,805
Miscellaneous	<u>-</u>	<u>8</u>
Total cemetery	<u>13,158</u>	<u>18,659</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>PUBLIC WORKS:</b>		
Supplies	4,976	1,736
Utilities	29,593	29,125
Contract labor	146	-
Travel expenses	19	12
Miscellaneous	-	1,290
	<u>-</u>	<u>1,290</u>
Total public works	<u>34,734</u>	<u>32,163</u>
<b>OTHER ACTIVITIES:</b>		
Payroll taxes	6,112	5,239
Employee benefits	1,383	3,905
Insurance	16,040	15,231
Board of review	150	252
Miscellaneous	4,339	797
	<u>4,339</u>	<u>797</u>
Total other activities	<u>28,024</u>	<u>25,424</u>
<b>RECREATION:</b>		
Salaries	41	-
Supplies	1,153	184
Utilities	2,216	2,693
Contract labor	1,741	855
	<u>1,741</u>	<u>855</u>
Total recreation	<u>5,151</u>	<u>3,732</u>
<b>LIBRARY:</b>		
Salaries	-	1,260
Utilities	6,010	3,338
	<u>6,010</u>	<u>3,338</u>
Total library	<u>6,010</u>	<u>4,598</u>
<b>CONSTABLE</b>		
Salaries	840	770
	<u>840</u>	<u>770</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ELECTIONS:		
Salaries	1,100	1,641
Supplies	738	994
Printing and publishing	<u>306</u>	<u>611</u>
Total elections	<u>2,144</u>	<u>3,246</u>
MAINTENANCE BUILDING:		
Salaries	9,045	8,397
Supplies	6,551	5,022
Utilities	17,116	14,643
Contract labor	<u>2,686</u>	<u>4,907</u>
Total maintenance building	<u>35,398</u>	<u>32,969</u>
FIRE PROTECTION:		
Supplies	-	9,048
Utilities	-	6,516
Repairs and maintenance	-	2,350
Capital outlay	75,000	-
Miscellaneous	<u>-</u>	<u>4,550</u>
Total fire protection	<u>75,000</u>	<u>22,464</u>
TOTAL EXPENDITURES	<u>264,343</u>	<u>203,081</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,827)</u>	<u>27,703</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>527,566</u>	<u>499,863</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 503,739</u>	<u>\$ 527,566</u>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**BALANCE SHEETS**  
**March 31, 2006**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Taxes receivable	\$ 5,052	\$ 4,652
Due from other funds	<u>20,101</u>	<u>20,056</u>
 TOTAL ASSETS	 <u>\$ 25,153</u>	 <u>\$ 24,708</u>
 LIABILITIES:		
Deferred revenue	<u>5,052</u>	<u>4,652</u>
 TOTAL LIABILITIES:	 <u>5,052</u>	 <u>4,652</u>
 FUND EQUITY:		
Fund balance	<u>20,101</u>	<u>20,056</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 25,153</u>	 <u>\$ 24,708</u>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Year Ended March 31, 2006**

	<u>2006</u>	<u>2005</u>
REVENUES:		
Taxes	\$ 22,780	\$ 22,080
Miscellaneous	<u>2,095</u>	<u>-</u>
TOTAL REVENUES:	<u>24,875</u>	<u>22,080</u>
EXPENDITURES:		
Supplies	10,038	-
Utilities	7,018	-
Repairs & maintenance	2,713	-
Capital outlay	<u>5,061</u>	<u>6,724</u>
TOTAL EXPENDITURES:	<u>24,830</u>	<u>6,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	45	15,356
FUND BALANCE, BEGINNING OF YEAR	<u>20,056</u>	<u>4,700</u>
FUND BALANCE, END OF YEAR	<u>\$ 20,101</u>	<u>\$ 20,056</u>



**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS**

Year Ended March 31, 2006

With Comparative Totals for Year Ended March 31, 2005

ASSETS:	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS	
							(Memorandum Only)	
Current assets:								
Cash	\$ 80,979	\$ 221,350	\$ 105,586	\$ 23,910	\$ 105,189	\$ 80,509	\$ 617,523	\$ 572,116
Accounts receivable	24,431	9,658	32,191	6,029	26,042	14,668	113,019	110,725
Due from other funds	-	-	-	-	97,095	11,350	108,445	33,445
Prepaid expenses	-	-	-	-	10,257	7,005	17,262	14,777
Total current assets	105,410	231,008	137,777	29,939	238,583	113,532	856,249	731,063
Restricted cash	-	-	-	198,293	465,514	76,436	740,243	770,556
Fixed assets	-	3,878,837	-	3,689,721	2,292,714	1,725,353	11,586,625	11,580,314
Accumulated depreciation	-	(230,500)	-	(911,510)	(926,917)	(704,857)	(2,773,784)	(2,487,169)
<b>TOTAL ASSETS</b>	<b>\$ 105,410</b>	<b>\$ 3,879,345</b>	<b>\$ 137,777</b>	<b>\$ 3,006,443</b>	<b>\$ 2,069,894</b>	<b>\$ 1,210,464</b>	<b>\$ 10,409,333</b>	<b>\$ 10,594,764</b>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ -	\$ 11	\$ 1,885	\$ 418	\$ 6,117	\$ 12,656	\$ 21,087	\$ 21,783
Due to other funds	-	31,618	152,431	18,750	-	27,547	230,346	212,890
Current maturities on bond payable	-	9,000	-	6,000	21,000	-	36,000	36,000
Accrued expenses	-	-	-	-	23,583	1,336	24,919	28,259
Deferred revenue	24,431	-	32,191	-	-	1,382	58,004	55,049
Total current liabilities	24,431	40,629	186,507	25,168	50,700	42,921	370,356	353,981
Long term bonds payable-net of current maturities	-	872,000	-	611,000	1,156,000	-	2,639,000	2,677,000
<b>TOTAL LIABILITIES</b>	<b>24,431</b>	<b>912,629</b>	<b>186,507</b>	<b>636,168</b>	<b>1,206,700</b>	<b>42,921</b>	<b>3,009,356</b>	<b>3,030,981</b>
<b>FUND EQUITY:</b>								
Contributed capital	-	2,731,729	-	2,281,961	99,341	292,384	5,405,415	5,595,514
Retained Earnings-Reserved	80,979	234,987	(48,730)	-	1,334	364,777	633,347	573,127
Retained Earnings-Unreserved	-	-	-	88,314	762,519	510,382	1,361,215	1,395,142
<b>TOTAL FUND EQUITY</b>	<b>80,979</b>	<b>2,966,716</b>	<b>(48,730)</b>	<b>2,370,275</b>	<b>863,194</b>	<b>1,167,543</b>	<b>7,399,977</b>	<b>7,563,783</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 105,410</b>	<b>\$ 3,879,345</b>	<b>\$ 137,777</b>	<b>\$ 3,006,443</b>	<b>\$ 2,069,894</b>	<b>\$ 1,210,464</b>	<b>\$ 10,409,333</b>	<b>\$ 10,594,764</b>

**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS**  
**Years Ended March 31, 2006 and 2005**

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Totals (Memorandum Only)
							2006 2005
OPERATING REVENUES:							
Charges for services	\$ -	\$ -	\$ -	\$ 70,789	\$ 275,804	\$ 132,179	\$ 478,772 \$ 471,478
Special assessment	6,247	88,309	9,748	-	-	-	104,304 132,288
Other	-	-	-	2,113	856	-	2,969 1,497
TOTAL OPERATING REVENUES	6,247	88,309	9,748	72,902	276,660	132,179	586,045 605,263
OPERATING EXPENSES:							
	-	111,958	10,773	119,345	229,868	160,290	632,234 637,262
OPERATING INCOME (LOSS)	6,247	(23,649)	(1,025)	(46,443)	46,792	(28,111)	(46,189) (31,999)
NON-OPERATING REVENUES (EXPENSES):							
Interest income	255	913	298	2,852	11,465	2,253	18,036 16,418
Interest expense	-	(39,870)	-	(27,900)	(67,883)	-	(135,653) (137,475)
Gain/Loss on sale of equipment	-	-	-	-	-	-	- (1,199)
TOTAL NON-OPERATING REVENUES (EXPENSES)	255	(38,957)	298	(25,048)	(56,418)	2,253	(117,617) (122,256)
NET INCOME (LOSS)	6,502	(62,606)	(727)	(71,491)	(9,626)	(25,858)	(163,806) (154,255)
RETAINED EARNINGS, BEGINNING OF YEAR	74,477	215,136	(48,003)	73,866	772,729	880,065	1,968,270 1,932,427
ADJUSTMENTS TO FUND EQUITY:							
Depreciation on Contributed Capital	-	82,457	-	85,939	750	20,952	190,098 190,098
RETAINED EARNINGS, END OF YEAR	\$ 80,979	\$ 234,987	\$ (48,730)	\$ 88,314	\$ 763,853	\$ 875,159	\$ 1,994,562 \$ 1,968,270

**TOWNSHIP OF ADAMS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**ALL ENTERPRISE FUNDS**  
**Year Ended March 31, 2006**  
**With Comparative Totals for Year Ended March 31, 2005**

						TOTALS		
	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	2006	2005
RECONCILIATION OF OPERATING								
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 6,247	\$ (23,649)	\$ (1,025)	\$ (46,443)	\$ 46,792	\$ (28,111)	\$ (46,189)	\$ (31,999)
Adjustments to Reconcile Operating								
Income to Net Cash Provided by Operating Activities:								
Depreciation	0	95,252	0	104,768	52,869	34,935	287,824	289,178
(Increase) Decrease in accounts receivable	(2,313)	3,016	(2,572)	132	(2,720)	2,162	(2,295)	12,785
(Increase) Decrease in inventory	0	0	0	0	0	0	0	5,946
(Increase) Decrease in prepaid expenses	0	0	0	0	(1,792)	(692)	(2,484)	(1,286)
(Increase) Decrease in due from other funds	0	0	0	0	(75,000)	0	(75,000)	(11,349)
Increase (Decrease) in accounts payable	0	11	(6,682)	418	5,033	525	(695)	(11,708)
Increase (Decrease) in due to other funds	0	0	17,456	0	0	0	17,456	2,256
Increase (Decrease) in accrued expenses	0	0	0	0	(2,006)	(1,335)	(3,341)	238
Increase (Decrease) in deferred revenue	2,313	(1,930)	2,572	0	0	0	2,955	(22,909)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,247	72,700	9,749	58,875	23,176	7,484	178,231	231,152
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Reductions of long-term debt	0	(10,000)	0	(6,000)	(22,000)	0	(38,000)	(36,000)
Interest paid on long-term debt	0	(39,870)	0	(27,900)	(67,883)	0	(135,653)	(137,475)
Purchase of fixed assets	0	0	0	0	(7,520)	0	(7,520)	(26,677)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0	(49,870)	0	(33,900)	(97,403)	0	(181,173)	(200,152)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest on investments and deposits	255	913	298	2,852	11,465	2,253	18,036	16,418
NET CASH FLOWS FROM INVESTING ACTIVITIES	255	913	298	2,852	11,465	2,253	18,036	16,418
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	6,502	23,743	10,047	27,827	(62,762)	9,737	15,094	47,418
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	74,477	197,607	95,540	194,376	633,465	147,207	1,342,672	1,295,254
CASH AND RESTRICTED CASH, END OF YEAR	\$ 80,979	\$ 221,350	\$ 105,587	\$ 222,203	\$ 570,703	\$ 156,944	\$ 1,357,766	\$ 1,342,672

**TOWNSHIP OF ADAMS**  
**BALTIC SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Special assessment	\$ <u>6,247</u>	\$ <u>8,535</u>
EXPENSES:		
Miscellaneous	<u>-</u>	<u>70</u>
OPERATING INCOME (LOSS)	6,247	8,465
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>255</u>	<u>253</u>
NET INCOME (LOSS)	6,502	8,718
RETAINED EARNINGS, BEGINNING OF YEAR	<u>74,477</u>	<u>65,759</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 80,979</u>	<u>\$ 74,477</u>

**TOWNSHIP OF ADAMS**  
**PAINESDALE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Special assessment	\$ 620	\$ 29,198
Special assessment - operation & maintenance	34,233	34,410
Special assessment - debt retirement	53,456	49,205
Other	<u>-</u>	<u>1,055</u>
TOTAL OPERATING REVENUES	<u>88,309</u>	<u>113,868</u>
EXPENSES:		
Salaries	10,767	-
Supplies	2,612	2,439
Utilities	1,774	1,474
Depreciation	95,252	95,252
Refunds	109	806
Miscellaneous	1,444	128
Contract labor	<u>-</u>	<u>814</u>
TOTAL EXPENSES	<u>111,958</u>	<u>100,913</u>
OPERATING INCOME	<u>(23,649)</u>	<u>12,955</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	913	931
Interest expense	<u>(39,870)</u>	<u>(40,298)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(38,957)</u>	<u>(39,367)</u>
NET INCOME (LOSS)	(62,606)	(26,412)
RETAINED EARNINGS, BEGINNING OF YEAR	215,136	159,091
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>82,457</u>	<u>82,457</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 234,987</u>	<u>\$ 215,136</u>

**TOWNSHIP OF ADAMS**  
**TRIMOUNTAIN SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Special assessment	\$ 9,748	\$ 10,940
EXPENSES:		
Miscellaneous	-	40
Engineering services	<u>10,773</u>	<u>41,366</u>
TOTAL EXPENSES	<u>10,773</u>	<u>41,406</u>
OPERATING INCOME (LOSS)	(1,025)	(30,466)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>298</u>	<u>297</u>
NET INCOME (LOSS)	(727)	(30,169)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(48,003)</u>	<u>(17,834)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (48,730)</u>	<u>\$ (48,003)</u>

**TOWNSHIP OF ADAMS**  
**ATLANTIC MINE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services	\$ 70,789	\$ 71,408
Miscellaneous	<u>2,113</u>	<u>-</u>
TOTAL OPERATING REVENUES:	<u>72,902</u>	<u>71,408</u>
EXPENSES:		
Salaries	1,780	-
Supplies	2,014	3,300
Utilities	3,245	4,268
Insurance	93	155
Repairs & maintenance	865	731
Depreciation	104,768	104,768
Miscellaneous	195	1,068
Contract labor	<u>6,385</u>	<u>7,935</u>
TOTAL EXPENSES	<u>119,345</u>	<u>122,225</u>
OPERATING INCOME (LOSS)	<u>(46,443)</u>	<u>(50,817)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	2,852	2,315
Interest expense	<u>(27,900)</u>	<u>(28,170)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(25,048)</u>	<u>(25,855)</u>
NET INCOME (LOSS)	(71,491)	(76,672)
RETAINED EARNINGS, BEGINNING OF YEAR	73,866	64,599
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>85,939</u>	<u>85,939</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 88,314</u>	<u>\$ 73,866</u>

**TOWNSHIP OF ADAMS**  
**WHOLESALE WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services	\$ 275,804	\$ 270,906
Other	<u>856</u>	<u>442</u>
TOTAL OPERATING REVENUES	<u>276,660</u>	<u>271,348</u>
EXPENSES:		
Salaries	38,695	42,866
Payroll taxes	4,398	4,100
Employee benefits	43,629	33,800
Supplies	19,729	19,917
Office supplies	74	557
Utilities	53,985	44,767
Insurance	10,555	12,525
Travel expenses	-	402
Repairs & maintenance	5,782	1,187
Professional services	-	2,000
Depreciation	52,869	53,477
Miscellaneous	<u>152</u>	<u>1,395</u>
TOTAL EXPENSES	<u>229,868</u>	<u>216,993</u>
OPERATING INCOME (LOSS)	<u>46,792</u>	<u>54,355</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	11,465	10,752
Interest expense	(67,883)	(69,007)
Gain/Loss on sale of equipment	<u>-</u>	<u>(1,199)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(56,418)</u>	<u>(59,454)</u>
NET INCOME (LOSS)	(9,626)	(5,099)
RETAINED EARNINGS, BEGINNING OF YEAR	772,729	777,078
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>750</u>	<u>750</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 763,853</u>	<u>\$ 772,729</u>



**TOWNSHIP OF ADAMS**  
**RETAIL WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services	\$ 132,179	\$ 129,164
EXPENSES:		
Salaries	42,600	39,907
Payroll taxes	1,575	3,808
Supplies	18,708	17,966
Office supplies	3,815	3,861
Utilities	39,466	37,261
Printing and publishing	-	60
Insurance	12,403	13,301
Repairs & maintenance	5,752	1,556
Travel expenses	40	-
Professional services	-	2,000
Depreciation	34,935	35,681
Capital outlay	947	-
Miscellaneous	49	254
TOTAL EXPENSES	<u>160,290</u>	<u>155,655</u>
OPERATING INCOME (LOSS)	(28,111)	(26,491)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>2,253</u>	<u>1,870</u>
NET INCOME (LOSS)	(25,858)	(24,621)
RETAINED EARNINGS, BEGINNING OF YEAR	880,065	883,734
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>20,952</u>	<u>20,952</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 875,159</u>	<u>\$ 880,065</u>

**TOWNSHIP OF ADAMS**  
**TRUST AND AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended March 31, 2006**

**TAX COLLECTION FUND**

	Balance 3/31/05	Additions	Deductions	Balance 3/31/06
ASSETS:				
Cash	\$ 114	\$ 1,119,235	\$ 1,119,170	\$ 179
TOTAL ASSETS	<u>\$ 114</u>	<u>\$ 1,119,235</u>	<u>\$ 1,119,170</u>	<u>\$ 179</u>
LIABILITIES:				
Due to General Fund	\$ 114	\$ 50,796	50,731	\$ 179
Due to Retail Water Fund	0	2,164	2,164	0
Due to Fire Protection Fund	0	19,400	19,400	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	0	1,017,657	1,017,657	0
TOTAL LIABILITIES	<u>\$ 114</u>	<u>\$ 1,095,017</u>	<u>\$ 1,094,952</u>	<u>\$ 179</u>

**DELINQUENT TAX COLLECTION FUND**

	Balance 3/31/05	Additions	Deductions	Balance 3/31/06
ASSETS:				
Cash	\$ 35,678	\$ 1,065	\$ 36,114	\$ 629
TOTAL ASSETS	<u>\$ 35,678</u>	<u>\$ 1,065</u>	<u>\$ 36,114</u>	<u>\$ 629</u>
LIABILITIES:				
Due to General Fund	\$ 1,322	\$ 202	\$ 1,298	\$ 226
Due to other governmental units	34,356	862	34,815	403
TOTAL LIABILITIES	<u>\$ 35,678</u>	<u>\$ 1,064</u>	<u>\$ 36,113</u>	<u>\$ 629</u>

**TOTAL FUNDS**

	Balance 3/31/05	Additions	Deductions	Balance 3/31/06
ASSETS:				
Cash	\$ 35,792	\$ 1,120,300	\$ 1,155,284	\$ 808
TOTAL ASSETS	<u>\$ 35,792</u>	<u>\$ 1,120,300</u>	<u>\$ 1,155,284</u>	<u>\$ 808</u>
LIABILITIES:				
Due to General Fund	\$ 1,436	\$ 50,998	\$ 52,029	\$ 405
Due to Retail Water Fund	0	2,164	2,164	0
Due to Fire Protection Fund	0	19,400	19,400	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	34,356	1,018,519	1,052,472	403
TOTAL LIABILITIES	<u>\$ 35,792</u>	<u>\$ 1,096,081</u>	<u>\$ 1,131,065</u>	<u>\$ 808</u>

**TOWNSHIP OF ADAMS**  
**GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
**STATEMENT OF LONG-TERM DEBT**  
**March 31, 2006**

AMOUNT TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT:

Amounts to be provided by future tax levies and charges for services	<u>\$ 50,816</u>
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TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT	<u>\$ 50,816</u>
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LONG-TERM DEBT:

Accumulated and unpaid vacation/sick pay benefits	\$ 5,816
Bonds payable	<u>45,000</u>

TOTAL LONG-TERM DEBT PAYABLE	<u>\$ 50,816</u>
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## **LETTER OF COMMENTS AND RECOMMENDATIONS**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the general purpose financial statements of the Township of Adams, for the year ended March 31, 2006, and have issued our report thereon dated June 15, 2006. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

### **Budget Over Expenditures**

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2006, the Township incurred expenditures in the general fund fire protection activity that exceeded the budget by \$75,000.

We recommend that timely revisions be made to the budget so that these over expenditures do not occur in the future.

### **Insured Deposits**

We noted that approximately seventy-nine percent (79%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to increase the percent of deposits insured and to decrease the risk of loss to the Township.

### Deficit Retained Earnings

The Township had a retained earnings deficit in the Debt Service Fund in the amount of \$19,352 and in the Trimountain Sewer Fund in the amount of \$48,730. We recommend that the Township monitor the fund balances of all funds more closely and take steps to avoid such deficits in the future. In accordance with Public Act 275 of 1980 the Township must formulate and file a deficit elimination plan with the State Treasurer to correct the deficit situation. This plan must contain: (1) a copy of current trial balances showing the deficit eliminated; (2) copies of Township's resolutions approving operating transfers used to eliminate the deficit; and (3) a projected budget, approved by the Township, itemizing the revenues, expenditures and the changes in the fund balance.

### GASB 34

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Township adopt the major changes from GASB 34 to comply with GAAP. This requires the Township to issue government-wide financial statements based on full accrual accounting. This change will also require the Township to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

June 15, 2006